EXHIBIT A

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________.

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

Commission file number: 001-35224

Xunlei Limited

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

Cayman Islands
(Jurisdiction of incorporation or organization)

7/F Block 11, Shenzhen Software Park
Ke Ji Zhong 2nd Road, Nanshan District
Shenzhen, 518057
The People's Republic of China
(Address of principal executive offices)

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7/F Block 11, Shenzhen Software Park
Ke Ji Zhong 2nd Road, Nanshan District
Shenzhen, 518057
The People's Republic of China
(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American depositary shares, each representing five common shares	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)
Common shares, par value US$0.00025 per share*	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)

* Not for trading, but only in connection with the listing on The NASDAQ Global Select Market of American depositary shares.

	For the Year Ended December 31,				
	2013	2014	2015	2016	2017
	(in thousands of US$, except for share, per share and per ADS data)				
Selected Consolidated Statements of Operations Data:					
Revenues, net of rebates and discounts	107,440	117,121	104,837	140,985	201,911
Business tax and surcharges	(3,447)	(1,535)	(316)	(779)	(1,328)
Net revenues	103,993	115,586	104,521	140,206	200,583
Cost of revenues	(50,235)	(55,737)	(59,250)	(79,928)	(117,876)
Gross profit	53,758	59,849	45,271	60,278	82,707
Operating expenses[(1)]					
Research and development expenses	(20,882)	(27,626)	(35,762)	(61,169)	(66,947)
Sales and marketing expenses	(9,714)	(12,265)	(12,411)	(14,601)	(19,888)
General and administrative expenses	(18,613)	(26,823)	(28,619)	(26,010)	(36,517)
Assets impairment loss	—	—	—	—	(13,556)
Total operating expenses	(49,209)	(66,714)	(76,792)	(101,780)	(136,908)
Operating (loss)/income	4,549	(6,865)	(31,521)	(41,502)	(54,201)
Interest income	1,189	6,733	5,833	2,158	1,967
Interest expense	—	(163)	(239)	(239)	(239)
Other income, net	4,680	13,966	3,627	6,503	7,880
Shares of (loss)/income from equity investees	25	(259)	(12)	(195)	(1,875)
(Loss)/income from continuing operations before income tax	10,443	13,412	(22,312)	(33,275)	(46,468)
Income tax benefit	1,400	1,835	3,745	2,469	2,252
Net (loss)/income from continuing operations	11,843	15,247	(18,567)	(30,806)	(44,216)
Discontinued operations:					
Income/(loss) from discontinued operations	(711)	(5,010)	9,008	7,791	7,538
Income tax expense	(753)	(375)	(4,907)	(1,168)	(1,131)
Net income/(loss) from discontinued operations	(1,464)	(5,385)	4,101	6,623	6,407
Net (loss)/income	10,379	9,862	(14,466)	(24,183)	(37,809)
Less: net loss attributable to the non-controlling interest	(283)	(950)	(1,299)	(72)	13
Net (loss)/income attributable to Xunlei Limited	10,662	10,812	(13,167)	(24,111)	(37,822)
Contingent beneficial conversion feature of series C to a series C shareholder	—	(57)	—	—	—
Deemed dividend to series D shareholder from its modification	—	(279)	—	—	—
Accretion of series D to convertible redeemable preferred shares redemption value	(4,300)	(1,870)	—	—	—
Accretion of series E to convertible redeemable preferred shares redemption value	—	(12,754)	—	—	—
Amortization of beneficial conversion feature of series E	—	(4,139)	—	—	—
Acceleration of amortization of beneficial conversion feature of Series E upon initial public offering	—	(49,346)	—	—	—
Deemed dividend to certain shareholders from repurchase of shares	—	(14,926)	—	—	—
Deemed dividend to preferred shareholders upon initial public offering	—	(32,807)	—	—	—
Allocation of net income to participating preferred shareholders	(4,094)	—	—	—	—
Net (loss)/income attributable to Xunlei Limited's common shareholders	2,268	(105,366)	(13,167)	(24,111)	(37,822)
Weighted average number of common shares outstanding					
Basic	61,447,372	194,711,227	335,987,595	334,155,668	331,731,963
Diluted	76,065,898	194,711,227	335,987,595	334,155,668	331,731,963
Net (loss)/income per share attributable to Xunlei Limited from continuing operations					
Basic	0.06	(0.51)	(0.05)	(0.09)	(0.13)
Diluted	0.05	(0.51)	(0.05)	(0.09)	(0.13)
Net income/(loss) per share attributable to Xunlei Limited from discontinued operations					
Basic	(0.02)	(0.03)	0.01	0.02	0.02
Diluted	(0.02)	(0.03)	0.01	0.02	0.02
Net loss attributable to holders of common shares of Xunlei					

Limited per ADS[2]				
Basic	(2.70)	(0.20)	(0.36)	(0.57)
Diluted	(2.70)	(0.20)	(0.36)	(0.57)

* We sold our Xunlei Kankan business and web game business in July 2015 and January 2018, respectively. As a result, Xunlei Kankan and web game business are accounted for as discontinued operations and our consolidated statements of comprehensive operations data in this annual report separate the discontinued operations from our remaining business operations for all years presented.

Notes:

(1) Share-based compensation expenses were allocated in operating expenses as follows:

	For the Year Ended December 31, (in thousands of US$)				
	2013	**2014**	**2015**	**2016**	**2017**
Research and development expenses	973	1,171	2,896	2,983	2,442
Sales and marketing expenses	43	66	131	98	88
General and administrative expenses	1,080	6,407	6,701	6,267	5,800
Total share-based compensation expenses	2,096	7,644	9,728	9,348	8,330

Risks related to our business

Our business model is currently undergoing significant innovation and transition, and our historical growth rate may not be indicative of our future performance and our new business may not be successful.

We launched our then core product, Xunlei Accelerator, in 2004 and cloud acceleration subscription services in 2009 to enable users to quickly access and consume digital media content. These cloud acceleration products have maintained nationwide popularity in the past few years. Coupled with our core products and services, we also provide a range of internet value-added services. Our business model currently is undergoing significant innovation and continued transition to mobile internet. We have also been putting efforts in the launch and expansion of new services and product offerings, such as cloud computing products and products based on blockchain technology. The evolving business model and expansion into the new services involve new risks and challenges. The profitability of our new initiatives has yet to be proven. For example, although our mobile acceleration plug-in, has been officially adopted by Xiaomi's operating systems and installed on Xiaomi phones, we cannot assure you that we will be able to form significant business partnerships with major smartphone makers other than Xiaomi so as to achieve broader acceptance of the Xunlei mobile products. We may also not be able to maintain the rapid growth of revenues from our mobile advertising, from which we generated revenues for the first time in the fourth quarter of 2015. As a result, our mobile strategy may not be successful.

We are also devoting significant energy and resources to continue to develop our ongoing innovation in crowdsourcing for idle uplink capacity and potentially storage from our users, which we refer to as Project Crystal or our cloud computing project. Our cloud computing project targets to utilize our users' computing power for capacity and storage in the same way our traditional acceleration products utilize users' idle uplink establishing and indexing files. After years of financial and managerial investments in this project, we have seen a preliminary success on our efforts. Revenue generated from our cloud computing business accounted for 32.6% of our total revenue in 2017. However, substantial uncertainties on the future development of our cloud computing business still exist and we cannot assure you as to its future prospects. For example, the technologies supporting our cloud computing business are relatively new and are rapidly evolving. Any failure in our exploration and application of these new technologies could lead to unsatisfactory project outcomes and could significantly and adversely impact our operating results. To further develop our cloud computing business and at the same time explore emerging blockchain technology, we launched OneThing Cloud, a hardware device of our cloud computing business, which can be used as remote downloader, personal cloud storage and file management device, and LinkToken, which is renamed from OneCoin, a type of digital tickets based on blockchain technology, in 2017. See "Item 4. Information on the Company—B. Business Overview—Our Platform—Cloud Computing" for more information. The launch of these new products involves certain risks and uncertainties. For example, in connection with our OneThing Cloud and LinkToken, which is renamed from OneCoin, two putative class action lawsuits have been filed in the United States District Courts for the Southern District of New York against the Company and certain of our current and former officers and directors, alleging that the defendants made material misstatements omissions on the premise that they failed to disclose that OneCoin was a disguised "initial coin offering" and "initial miner offering" and constituted "unlawful financial activity." On April 12, 2018, the court consolidated the actions under the caption *In re Xunlei Limited Securities Litigation*, No. 18-cv-467 (RJS). See "—We may be subject to claims or lawsuits outside of China, which could increase our risk of direct or indirect liabilities for our existing or future service offerings" for more details. In addition, there are also certain regulatory risks associated with our LinkToken. For more details, please see "—Our LinkToken may be subject to various regulatory risks in China which may result in penalties that could have a material adverse effect on our business and results of operations." If any of the foregoing were to happen, other than administrative penalties we may be imposed, our business operations, financial results and the price of our ADSs may be adversely affected.

In addition to uncertainties of our new initiatives, our traditional PC-based download acceleration subscriptions also experienced declines, partly due to the ongoing and intensified government scrutiny of internet content in China. Although we continue to enhance and update our products in order to make them attractive to our subscribers, our efforts may not be successful. Our subscriber base decreased from 4.4 million as of December 31, 2014 to 4.3 million as of December 31, 2017. See "—We may not be able to retain our large user base, convert our users into subscribers of our premium services or maintain our existing subscribers." and "—Risks Related to Doing Business in China— Regulation and censorship of information disseminated over the internet in China have adversely affected our business and may continue to adversely affect our business, and we may be liable for the digital media content on our platform."

Due to the abovementioned factors, our historical growth rate may not be indicative of our future performance and our new business initiative may not be successful, and we cannot assure you that we will grow at the same rate as we did in the past, if at all.

Our business currently focuses on the PRC market. We may face additional risks and uncertainties if we expand our business into overseas markets in the future. As we have very limited in operating our business in overseas markets, we may be unable to attract a sufficient number of users, fail to anticipate competitive conditions or face difficulties in operating effectively in overseas markets. In addition, trade barriers, such as import and export restrictions, customs duties and other taxes, competition law regimes and other trade restrictions, as well as other risks such as increased compliance costs or political instability may also expose us to additional risks and uncertainties if we expand our business to overseas markets.

Our LinkToken may be subject to various regulatory risks in China which may result in penalties that could have a material adverse effect on our business and results of operations.

In connection with our new efforts in the development of cloud computing and exploration of emerging blockchain technology, we also created LinkToken in 2017 based on blockchain technology. See "Item 4. Information on the Company—B. Business Overview—Our Platform—Cloud Computing" for more information. The LinkToken is related to our cloud computing services. By voluntarily participating in our OneThing reward program while using our OneThing Cloud device, users can be rewarded with LinkToken, which can be used to redeem for our product and services. LinkToken cannot be transferred among users in China. On September 4, 2017, six PRC regulatory agencies, namely People's Bank of China, the Office of the Central Leading Group for Cyberspace Affairs, MIIT, State Administration for Industry and Commerce, China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission, jointly promulgated the Announcement on Preventing Token Fundraising Risks, to strengthen the administration of the initial coin offerings ("ICOs") activities. Pursuant to the announcement, "token fundraising" is referred to as a process where fundraisers, issue or distribute so-called "cryptocurrencies" to investors who make financial contributions in the form of "virtual currencies" such as Bitcoin or Ether. All fundraising activities through token issuance are prohibited. In addition, token trading platform should not engage in (i) the exchange between any statutory currency with tokens and "virtual currencies", (ii) trade or trade as central counterparties the tokens or "virtual currencies", and (iii) provide pricing, information agency or other services for tokens or "virtual currencies." While being rewarded with LinkToken by using our OneThing Cloud, users do not make financial contributions in any form of cryptocurrencies. LinkToken cannot be transferred among users in China. As a result, we do not believe our LinkToken involves fundraising activities through token issuance, nor do we believe that we will be deemed as a token trading platform, which is operated under a completely different business model. However, we cannot assure you that relevant PRC authorities will have the same view with us and substantial uncertainties exist regarding the interpretation and implementation of relevant PRC laws and regulations. If relevant PRC authorities decide that our operation of LinkToken is not in compliance with current laws and regulations, regulatory restrictions may be imposed on us or we may even be required to discontinue relevant business. In addition, the blockchain technology and other related technologies are evolving rapidly, new laws and regulations may be adopted from time to time by relevant PRC authorities to impose additional restrictions or require licenses or permits for the operation of businesses that are similar to our LinkToken. Were that to happen, we may be subject to additional regulatory risks and business and results of operations, as well as the price of our ADSs may be adversely affected.

We may not be able to retain our large user base, convert our users into subscribers of our premium services or maintain our existing subscribers.

Our platform had approximately 145 million monthly unique visitors in December 2017 according to our internal record. If we are unable to consistently provide our users with quality services and experience, if users do not perceive our service offerings to be of value, or if we introduce new or adjust existing features or change the mix of digital media content in a manner that is not favorably received by our users, we may not be able to retain our existing user base.

Our number of subscribers experienced a decline in the past partly due to the intensified scrutiny over internet content from the Chinese government, and may experience further downward pressure in the future. With a government campaign against inappropriate internet content launched in April 2014, we have had to increase the monitoring of content on our platform. All the measures we adopt in response to increasing regulatory scrutiny may materially and adversely affect user experience on our platform and make our services less attractive to our subscribers, leading to a decline in the number of subscribers. We saw a reduction in the number of total subscribers of 4.4 million as of December 31, 2014, and permitted temporary suspension of services by about 350,000 existing subscribers as of December 31, 2014. Although the permitted temporary suspension of services gradually reduced to 207,000 existing subscribers as of December 31, 2017, such favorable trends may not sustain, and any increase in the number of subscribers may not necessarily lead to a corresponding increase in revenue. Similar government action or other forces may make it challenging for us to retain our user base, or may contribute to a further decline in our user base, in the future. See "—Risks Related to Doing Business in China—Regulation and censorship of information disseminated over the internet in China have adversely affected our business and may continue to adversely affect our business, and we may be liable for the digital media content on our platform."

We believe we were a passive foreign investment company for our taxable year ended December 31, 2017, which could subject United States investors in the ADSs or common shares to significant adverse United States income tax consequences.

Based on the market price of our ADSs and the composition of our assets (in particular the retention of a substantial amount of cash), we believe that we were a "passive foreign investment company," (or a "PFIC"), for United States federal income tax purposes for our taxable year ended December 31, 2017, and we will very likely be a PFIC for our current taxable year ending December 31, 2018 unless the market price of our ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income. In addition, it is possible that one or more of our subsidiaries may be or become classified as a PFIC for United States federal income tax purposes. A non-U.S. corporation will be classified as a PFIC for any taxable year if either (1) 75% or more of its gross income consists of certain types of passive income or (2) 50% or more of the average quarterly value of its assets (as generally determined on that basis of fair market value) during such year produce or are held for the production of passive income.

If we are classified as a PFIC for any taxable year during which a U.S. Holder (as defined in Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations) holds our ADSs or common shares, such U.S. Holder may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or common shares and on the receipt of distributions on the ADSs or common shares to the extent such gain or distribution is treated as an "excess distribution" under the United States federal income tax rules. Further, if we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or common shares ("PFIC Tainted Shares") even if, we, in fact, cease to be a PFIC in subsequent taxable years. Accordingly, a U.S. Holder of our ADSs or common shares is urged to consult its tax advisor concerning the United States federal income tax considerations related to holding and disposing of ADSs or common shares (including, to the extent an election is available, making a "mark-to-market" election to avoid owning PFIC-Tainted Shares and the unavailability of an election to treat us as a qualified electing fund). For more information see the section titled "Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations."

Item 4. Information on the Company

A. History and Development of the Company

We commenced operations in January 2003 through the establishment of Shenzhen Xunlei, which currently, together with its various subsidiaries in the PRC, operates our Xunlei internet platform.

In February 2005, we established Xunlei Limited as our holding company in the Cayman Islands. Xunlei Limited directly owns Giganology Shenzhen, our wholly owned subsidiary in China established in June 2005. Giganology Shenzhen primarily engages in the research and development of new technologies.

Giganology Shenzhen has entered into a series of contractual arrangements with Shenzhen Xunlei and its shareholders. These contractual arrangements enable us to exercise effective control over Shenzhen Xunlei and receive substantially all of the economic benefits of Shenzhen Xunlei. As a result, Shenzhen Xunlei is our variable interest entity and we have consolidated the financial results of Shenzhen Xunlei and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. The existing principal subsidiaries of Shenzhen Xunlei include the following:

- Shenzhen Xunlei Wangwenhua Co., Ltd. (formerly known as "Shenzhen Fengdong Networking Technologies Co., Ltd."), or Wangwenhua, which was established in December 2005, and it primarily engages in software development, technical consulting and other related technical services.

- Shenzhen Zhuolian Software Co., Ltd. (formerly known as "Xunlei Software (Shenzhen) Co., Ltd."), which was established in January 2010, and it primarily engages in the development of software technology and the development of computer software.

- Xunlei Games Development (Shenzhen) Co., Ltd., or Xunlei Games, which was established in February 2010, and it primarily engages in the development of online game and computer software and advertising services.

- Shenzhen Onething Technologies Co., Ltd., or Shenzhen Onething, which was established in September 2013, and it primarily engages in cloud computing technology development and related services.

- Beijing Xunjing Technology Co., Ltd. (formerly known as "Wangxin Century Technologies (Beijing) Co., Ltd."), or Beijing Xunjing, which was established in October 2015 and currently a subsidiary of Wangwenhua. Beijing Wangxin primarily engages in technology development and related services.

- Shenzhen Crystal Interactive Technologies Co., Ltd., which was established in May 2016 and currently a subsidiary of Shenzhen Onething, and it primarily engages in development of computer software and provision of information technology services.

- Beijing Onething Technologies Co., Ltd., which was established in January 2017, and it primarily engages in development of computer software and provision of information technology service.

In February 2011, we established a direct wholly owned subsidiary, Xunlei Network Technologies Limited, or Xunlei Network BVI, in the British Virgin Islands. In March 2011, we established Xunlei Network Technologies Limited, or Xunlei Network HK, in Hong Kong, which is the direct wholly owned subsidiary of Xunlei Network BVI. Xunlei Network HK primarily engages in the development of computer software and advertising services.

In November 2011, we established Xunlei Computer in China, which is the direct wholly owned subsidiary of Xunlei Network HK. Xunlei Computer primarily engages in the development of computer software and information technology services.

In June 2014, we completed the initial public offering of our ADSs, which are listed on the NASDAQ Global Select Market under the symbol "XNET."

In September 2014, we, through Shenzhen Xunlei Networking Technologies Co., Ltd., acquired from subsidiaries of Kingsoft Corporation Limited Kuaipan Personal and Kansunzi, both software services in support of cloud-sourced storage and sharing, and their related business and assets, for an aggregate cash consideration of US$33 million. Kuaipan Personal has recently developed into a cloud-sourced content service platform.

In July 2015, we completed the sale of our entire stake in Xunlei Kankan to Beijing Nesound International Media Corp., Ltd., an independent third party, for a consideration of RMB130 million, of which RMB26.0 million (US$4.0 million) remains unpaid and has been impaired as of the date of this annual report. This sale is part of our strategy to streamline our business and continue our transition into mobile internet.

Our principal executive offices are located at: 7/F Block 11, Shenzhen Software Park, Ke Ji Zhong 2nd Road, Nanshan District, Shenzhen, People's Republic of China. Our telephone number at this address is +86 755-8633-8443. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc.

See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures" for a discussion of our capital expenditures.

B. Business Overview

Overview

We are a leading cloud-based acceleration technology company in China. We operate a powerful internet platform in China based on cloud technology to enable our users to quickly access, manage, and consume digital media content on the internet. In recent years, we have expanded our products and services from PC-based devices to mobile devices in part through pre-installed acceleration products in mobile phones to further enlarge our user base and offer our users a wider range of access points. We target to deliver superior user experience in terms of ease of access, management and consumption of digital media content anywhere, anytime, and on any device.

To address deficiencies of digital media transmission over the internet in China, such as low speed and high delivery failure rates, we provide users with quick and easy access to online digital media content through core products and services below:

- Xunlei Accelerator, our most popular and free product, which enables users to accelerate digital transmission over the internet and has approximately 145 million monthly unique visitors in December 2017, according to our internal record; and

- Cloud acceleration subscription services, which are delivered through products such as Green Channel and Offline Accelerator and offer users premium services for speed and reliability.

Benefitting from the large user base of our core product, Xunlei Accelerator, we have further developed various value-added services or products to meet a fuller spectrum of our users' digital media content access and consumption needs. These value-added services and products primarily include (i) cloud computing services, (ii) live video services, and (iii) online game services.

We are increasingly extending our services to mobile devices, as part of our cloud-based mobile strategies. Mobile Xunlei is becoming a popular mobile application, while bigger screen phones with enhanced storage capacity have influenced user behavior in how they access and consume digital media content on their mobile phones. This mobile application allows users to search, download and consume digital media content on their mobile devices in a user friendly way. Based on our own record, daily active user of this application was about 6.9 million as of the date of this annual report. Mobile Xunlei is also one of the most downloaded applications in its category. In the fourth quarter of 2015, we started to monetize our mobile traffic through advertising sales and generated our first mobile advertising revenues. Moreover, this mobile application supplements our existing subscriptions business, enabling us to reach a wider set of user base and to expand our services additional devices of a user who has multiple devices.

Our mobile initiatives also benefits from our relationship with Xiaomi, one of our strategic shareholders. Since 2014, we have entered into a pre-installing services agreement with a Xiaomi group company which manufactures Xiaomi phones, a well-recognized brand of smart phones in China. Pursuant to the agreement, we agree to provide our Mobile Xunlei acceleration plug-in, and the mobile phone manufacturer agrees to install such plug-in on its phones, free of charge. Such pre-installment arrangement provides mobile phone users with access to our acceleration services, which we believe enhances our ability to generate more user traffic. Our mobile acceleration software has been officially adopted by Xiaomi's operating systems, MIUI6, MIUI7, MIUI8 and MIUI9 and the software has been installed on Xiaomi phones, including both new phones shipments and system upgrades from existing Xiaomi phones.

An important part of our strategies is to continue our innovation in crowdsourcing for idle capacity and potentially storage from users of our cloud computing services, which targets to utilize our users' idle uplink capacity and storage by using our hardware devices. We plan for crowdsourced capacity to supply an increasing percentage of the bandwidth that we use for our own acceleration services. From the third quarter of 2015, we started to sell crowdsourced uplink capacity we collected from users under our cloud computing services to third parties. We intend to sell crowdsourced uplink capacity to more third party internet content providers with bandwidth demand. To further develop our cloud computing business and at the same time explore emerging blockchain technology, we launched our decentralized cloud computing product, OneThing Cloud, and its related LinkToken, which is renamed from OneCoin, a type of digital tickets based on blockchain technology, in 2017. OneThing Cloud is essentially a cloud-based storage and sharing device. It allows users to share their idle internet bandwidth and storage resources with our content delivery networks. By voluntarily participating in our OneThing Reward Program, users can be rewarded with LinkToken, which can be used to redeem for our products and services. The technological backbone of our products and services is our cloud acceleration technology, comprised of a proprietary file locating system and massive file index database. Our technology enables us to support greater user expansion with incremental increases in server and bandwidth costs. This technology, based on distributed computing architecture, along with our indexing technology, enables users to access content in an efficient manner.

We generated revenues by monetizing our large user base, primarily through the following services:

- Cloud acceleration subscription services. We provide premium acceleration services to subscribers to enable faster and more reliable access to digital media content;

- Online advertising services (including mobile advertising). We offer advertising services by providing marketing opportunities on our websites, mobile Xunlei application and platform to our advertisers;

- Sales of our cloud computing devices. OneThing Cloud is a hardware device that provides our users with easy access to our cloud computing services. We generate a portion of our revenue from selling OneThing Cloud device to our users; and

- Other internet value-added services. We offer multiple other value-added services to our users including our cloud computing services, live video services and online game services.

Our revenues increased from US$104.8 million in 2015 to US$141.0 million in 2016 and further to US$201.9 million in 2017. We had a net loss attributable to Xunlei Limited of US$13.2 million in 2015, US$24.1 million in 2016 and US$37.8 million in 2017.

Our platform

On our platform, users can accelerate digital media transmission and play a broad range of the latest online games, among other things.

Cloud based acceleration

We provide data transmission acceleration services based on cloud computing technology to internet users. Our cloud computing technology utilizes a network of computers hosted on the internet to store, manage, and process data, thus providing our users with acceleration in internet data transmission and improves their download success rates. We provide our acceleration services to internet users with the following products and services.

Accelerator

We launched our core product, Xunlei Accelerator, in 2004 to address deficiencies of digital media content transmission over internet in China, such as low speed and high delivery failure rates. Xunlei Accelerator allows users to accelerate digital transmission over the internet for free. Xunlei Accelerator also bridges users with diverse needs to other services we offer, such as: Xunlei Media Player, which supports both online and offline video watching, and our various online games, by recommending and providing links to these services on its user interface.

Xunlei Accelerator is designed to provide an effective digital media content transmission solution to our users. In addition to our featured transmission acceleration function, we have integrated certain features into the interface of Xunlei Accelerator to enhance the overall user experience while helping users transmit their desired content efficiently. For example, Xunlei Accelerator provides a platform to integrate other third-party plug-in applications. Users can add application tabs to create shortcuts to various services that are provided by us, third-party application developers and application venders who have business relationships with us. Xunlei Accelerator also has a task management console to allow users to track and manage their transmissions in progress, to manage and prioritize cloud-based data transmission tasks, or manage and synchronize transmitted content across multiple internet-enabled devices.

Mobile acceleration plug-in

We offer a mobile acceleration plug-in, which provides mobile device users with benefits of download speed acceleration and download success rate improvements similar to those offered by the PC-based Xunlei Accelerator. Our mobile acceleration plug-in has been adopted by Xiaomi, a Chinese smartphone maker, on its operating systems, MIUI6, MIUI7, MIUI8 and MIUI9. Xiaomi installs our mobile acceleration plug-in on all of its new phones free of charge and adds such plug-in to the existing ones via system upgrade. Xiaomi phone users thus have access to our acceleration services.

Subscription services

We charge monthly or annual fees for our premium cloud acceleration subscription services. The benefits and services within the subscription package, which typically include incrementally larger bandwidth and faster acceleration speed, are upgraded according to the VIP levels. The subscription fees generally remain unchanged for subscribers at higher VIP levels. Our cloud acceleration subscription services are delivered through the following major premium acceleration products:

Type of Services	Description of Services
Green Channel	This product allows our subscribers to transmit digital media files from the internet, which significantly improves speed and reliability of such transmission. This is particularly helpful when subscribers need to transmit files that are only available from slow or unreliable data transmission sources, or to transmit a group of files while having only limited internet connectivity time.
Offline Accelerator	This product allows our subscribers to engage us to transmit digital media files from the internet on their behalf.

In addition to our major premium acceleration products, our product, Fast Bird, also accelerates our subscribers' internet access by increasing the bandwidth of the network system provided by telecommunications service providers.

We adopted different strategies and various promotion programs for each VIP level. For example, when we discovered that some of our users were not aware of our subscription services, we provided users with greater exposure to our subscription services in different parts of our platform and promoted products with significant potential interests to specific users. We use our powerful digital data analysis capabilities to explore different areas of user needs previously unmet by existing functions and research and develop relevant functions based on such analysis. We offer users promotional measures, such as providing some free trials of premium acceleration services, to show the differences in the data transmission speeds to demonstrate how our premium services tremendously enhance data delivery speed and overall subscriber experience.

In order to promote customer loyalty, we may elevate the VIP levels of our subscribers if they actively engage in our services, for example, frequently participating in reviewing and rating of our products. Once upgraded to certain higher VIP levels, our subscribers may be offered additional independent accounts, internally termed as sub-accounts, at no additional charges. Such sub-accounts also allow users to access our premium acceleration services, at no additional charge.

We had a subscriber base of 4.3 million, 4.2 million and 4.3 million as of December 31, 2015, 2016 and 2017, respectively. In this annual report, the number of subscribers as of a given day excludes any sub-accounts.

Mobile Xunlei

Mobile Xunlei is a mobile application that allows users to search, download and consume digital media content on their mobile devices. The monthly average daily active user of this product was about 7.5 million in 2017. We started to monetize our mobile traffic through advertising sales and generated our first mobile advertising revenues in late 2015. Since then, our mobile advertising business has grown rapidly. In 2017, our revenue generated from our mobile advertising business increased by 46.7% from US$14.5 million in 2016 to US$21.2 million in 2017.

Moreover, this mobile application also supplements our existing subscriptions business. Many of our mobile application users also became users of our PC-based Xunlei Accelerator.

Cloud computing

We launched our cloud computing project in 2014, which crowd-sources idle uplink capacity from internet users who have bought and connected our proprietary hardware, Zhuanqianbao, or ZQB, to their network router. Our ZQB devices can allocate those users' idle uplink capacity to us for our further allocation to internet content providers. We pay users of our ZQB devices for the use of their idle uplink capacity.

To further develop our cloud computing business and at the same time explore emerging blockchain technology, we launched our decentralized cloud computing product, OneThing Cloud, in 2017. OneThing Cloud is a cloud-based storage and sharing device, which crowd-sources idle uplink capacity from our users who have bought and connected their OneThing Cloud devices to their network router. Similar to ZQB, OneThing Cloud can allocate those users' idle computing resources to us for our further allocation to internet content providers. However, an important difference between OneThing Cloud and ZQB is that users of OneThing Cloud can voluntarily participate in OneThing Reward Program and be rewarded with LinkToken, which can be used to redeem for our products and services.

The crowd-sourced uplink capacities are valuable resources that we target to commercialize with potential customers such as streaming websites and app stores. Depending on our own needs, we also utilize those crowd-sourced uplink capacities for our business from time to time, reducing our purchase of bandwidth from traditional third party carriers.

Live video services

We launched our live video services in 2016 and adjusted our business model in 2017. Under the new business model, while viewing live online performance given by broadcasters, users may interact on real-time basis with broadcasters, purchase virtual items from us to reward broadcasters they like. Users can access our live video services through Xunlei Live website and mobile app.

Xunlei Media Player

Xunlei Media Player, which we launched in 2008, is a supplementary tool that helps to deliver a more comprehensive viewing experience of digital media content to the users of Xunlei Accelerator. Xunlei Media Player is our proprietary product that supports both online and offline play of digital media content as well as simultaneous play of digital media content while it is being transmitted by Xunlei Accelerator.

Online game services

To better serve our users, we offer online games through our online game website and purchase licenses from, or enter into revenue sharing arrangements with, game developers. Such game play platform helps raise the average spending of our subscribers. Online game players can play the games free of charge, but are offered the opportunity to purchase in-game virtual items for a fee to enhance their game-playing experience.

In light of the overall decline in the web game market and our intention to allocate more resources on the development of our cloud computing business, we streamlined our online game business by disposing of our web game business in January 2018. After the disposal, we only operate MMOGs and mobile games for our online game services.

We may also from time to time offer other ancillary services to cater to users' needs and to supplement the major services we provide.

Technology

We provide accelerated data transmission services, available on PC and mobile devices, based on our distributed file locating system, designed to utilize our proprietary file indexing technology.

In addition, following the loan agreement mentioned above, under a separate loan agreement between Giganology Shenzhen and Mr. Sean Shenglong Zou as a shareholder of Shenzhen Xunlei, as amended, Giganology Shenzhen made an additional interest-free loan of RMB20 million to Mr. Zou, the entire amount of which was used to contribute to the registered capital of Shenzhen Xunlei, increasing the registered capital of Shenzhen Xunlei to RMB30 million. The term of this agreement is two years from the date it was signed, and will be automatically extended afterwards on a yearly basis until Mr. Zou has repaid the loan in its entirety in accordance with the loan agreement. This loan will be deemed to be repaid under this agreement only when all equity interest held by the relevant shareholder in Shenzhen Xunlei has been transferred to Giganology Shenzhen or its designated parties. At any time during the term of the loan agreement, Giganology Shenzhen may, at its sole discretion, require all or any portion of the outstanding loan under the agreement to be repaid.

In the opinion of Zhong Lun Law Firm, our PRC legal counsel:

- the ownership structures of our variable interest entity and our subsidiaries in China comply with all existing PRC laws and regulations; and

- the contractual arrangements among Giganology Shenzhen, our PRC subsidiary, Shenzhen Xunlei and its shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect.

We have been advised by Zhong Lun Law Firm, our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our business to provide digital media data transmission and streaming services, online games and other value-added telecommunication services do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See “Item 3. Key Information—D. Risk factors—Risks related to our corporate structure—If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC governmental restrictions on foreign investment in internet-related business and foreign investors’ mergers and acquisition activities in China, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.”

D. Property, Plant and Equipment

Our principal executive offices are located at 7/F Block 11, Shenzhen Software Park, Ke Ji Zhong 2nd Road, Nanshan District, Shenzhen, People’s Republic of China, which comprises approximately 7,024 square meters of office space. In addition to other offices in Shenzhen, we also have offices in Beijing and Hong Kong, respectively, totaling approximately 20,427 square meters. Our leased premises are leased from unrelated third parties who have valid title to the relevant properties. The lease for our principal executive offices will expire in November, 2020, and the other leases typically have terms of one to three years. Our servers are primarily hosted at internet data centers owned by major domestic internet data center providers. The hosting services agreements typically have one-year terms and are renewed upon expiration. We believe that we will be able to obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations is based upon, and should be read in conjunction with, our audited consolidated financial statements and the related notes included in this annual report on Form 20-F. This report contains forward-looking statements. See “Forward-Looking Information.” In evaluating our business, you should carefully consider the information provided under the caption “Item 3. Key Information—D. Risk Factors” in this annual report on Form 20-F. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties. Unless otherwise specified, the results presented in this annual report do not include Xunlei Kankan and web game business, which have been classified as discontinued operations.

We entered into a legally binding agreement to sell our web game business in December 2017. Web game revenue recognized from discontinued operations was US$25,160,000, US$15,981,000 and US$11,428,000 for the years ended December 31, 2015, 2016 and 2017, respectively.

b) Live video revenue

We operate live video platform and users can purchase virtual items which they can then send to broadcasters in the live video platform. The revenue from live video is recognized at fair value of the virtual items, as we are the principal in this arrangement, based on actual consumption of virtual items by the paying users.

c) Revenues from traffic referral programs

We enter into contracts with certain third party portals/websites to earn revenue by redirecting online traffic to these third party portals/websites. On a monthly basis, we receive data on the user traffic and the related monthly revenue from these third party portals/ websites. Under these programs, we recognize its share of revenues based on contractual rates applied to user traffic redirected to the advertisements of the third parties.

d) Revenues from cloud computing

As part of our cloud computing service, Project Crystal, we engage in sale of Zhuanqianbao ("ZQB") and OneThing Cloud. ZQB and OneThing Cloud are hardware which could be used as a micro-computer based on Linux system, it also contains CPU, RAM, ROM and input/output devices. ZQB and OneThing Cloud also allow users to share their idle bandwidth with us, in exchange for crystal points and LinkTokens, respectively.

Crystal points, which can be converted into cash based on a pre-set exchange rate, will only be given to the users when they successfully shared unused bandwidth with us, whereas LinkTokens are not convertible into cash but they can be redeemed for the services offered in our platforms under the terms to be determined by us. Although we have not publicly announced the full details of the redemption process, the LinkTokens represent our obligation to deliver future services. Therefore, we receive an identifiable benefit, being the bandwidth, from the users in exchange for the crystal points and LinkTokens. We determine that ZQB and OneThing Cloud sold to users represent identifiable benefit to the users that is separable from the ability to sell bandwidth back to us and the bandwidth purchased from the users represent identifiable benefit to us, which we can reasonably estimate the fair value of this benefit, that is separable from ZQB and OneThing Cloud.

The sales of ZQB and OneThing Cloud and purchase of excess bandwidth by us are considered separate transactions. Therefore, sales of ZQB and OneThing Cloud are reported as revenue, while crystal points and LinkTokens given for purchase of bandwidth are reported as bandwidth cost.

We sell ZQB and OneThing Cloud through online e-commerce platforms. The revenue from ZQB and OneThing Cloud is recognized when the item is dispatched to the end customers.

The LinkTokens issued represent our obligation to deliver future services. Therefore, deferred revenue was recognized for all LinkTokens issued. Revenue will be recognized upon redemption of the LinkTokens, the fair value of which is calculated by bandwidth costs divided by total number of LinkTokens issued. Breakage is taken into account based on historical experience.

The core business principle of cloud computing is to collect idle uplink capacity from individuals with compensation, and sells to online video streaming platforms. On a monthly basis, we record the bandwidth we deliver and recognizes revenue from these online video streamers under contractual rates applied (price per GB of bandwidth multiplies total GBs of bandwidth per month). The cost of collecting idle bandwidth is recorded as bandwidth costs within cost of revenue upon our receiving of idle bandwidth.

Revenue is recognized net of return allowances when the products are delivered and title passes to customers. Return allowances, which reduce net revenues, are estimated based on historical experiences. Product warranties are estimated and recognized at the time we recognizes revenue. The warranty period is one year. We accrue warranty liabilities at the time of sale, based on historical and projected incident rates and expected future warranty costs.

We are involved in a number of cases pending in various courts. These cases are substantially related to alleged copyright infringement and securities class actions, as well as routine and incidental matters to its business, among others. Adverse results in these lawsuits may include awards of damages and may also result in, or even compel, a change in the Group's business practices, which could impact our future financial results. We have incurred US$3.3 million, US$1.7 million and US$9.5 million legal and litigation related expenses for the years ended December 31, 2015, 2016 and 2017, respectively.

As of the date of this annual report, we have 42 lawsuits pending against us with an aggregate amount of claimed damages of approximately RMB112 million (US$16.8 million) which occurred before December 31, 2017. Among these 42 pending lawsuits, 39 of them were relating to the alleged copyright infringement in the PRC. We have accrued for US$1.8 million litigation related expenses in "Accrued expenses and other liabilities" in the consolidated balance sheet as of December 31, 2017, which is the most probable and reasonably estimable outcome.

We estimated the litigation compensation based on judgments handed down by the court, out-of-court settlements of similar cases as well as advices from our legal counsel. We are in the process of appealing certain judgments for which the losses had been accrued. Although the results of unsettled litigation and claims cannot be predicted with certainty, we do not expect that the outcome of the 42 lawsuits will result in the amounts accrued materially different from the range of reasonably possible losses. In the opinion of management, there was not at least a reasonable possibility we may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for asserted legal and other claims. However, the outcome of litigation is inherently uncertain. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against us in a reporting period for amounts in excess of management's expectations, our consolidated financial statements for that reporting period could be materially adversely affected.

Recent Accounting Pronouncements

See Item 18 of Part III, "Financial Statements—Note 2—Summary of significant accounting policies—Recent accounting pronouncements."

B. Liquidity and Capital Resources

We have financed our operations primarily through cash generated from operations and, to a lesser extent, proceeds from private placements of preferred shares to investors, and net proceeds received from our initial public offering during the year ended December 31, 2014 while we have financed our operations primarily through cash generated from operations during the years ended December 31, 2015, 2016 and 2017. As of December 31, 2017, we had US$372.4 million in cash and cash equivalents and short-term investments. As of the same date, we did not have any outstanding bank loans.

In respect of our revenues from customers in the advertising industry, although the general credit term for these customers is 90 days, we typically are willing to accept delayed repayment up to one year from the invoice date given the general practices we have with our customers in the advertising industry. Our practice and collection history may continue to have an impact on our liquidity.

In the future, we may rely on dividends and other distributions on equity paid by our wholly-owned PRC subsidiaries for our cash and financing requirements. There may be potential restrictions on the dividends and other distributions by our PRC subsidiaries. For instance, if Giganology Shenzhen, our PRC subsidiary, incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. The PRC tax authorities may require us to adjust our taxable income under the contractual arrangements Giganology Shenzhen currently has in place with Shenzhen Xunlei in a way that would materially and adversely affect the latter's ability to pay dividends and other distributions to us. In addition, under PRC laws and regulations, Giganology Shenzhen, as a wholly foreign-owned enterprise in the PRC, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. Wholly foreign-owned enterprises such as Giganology Shenzhen are required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund a statutory reserve fund, until the aggregate amount of such fund reaches 50% of their respective registered capital. At their discretion, wholly foreign-owned enterprises may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. See "Item 3. Key Information—D. Risk factors—Risk related to our corporate structure—We may rely principally on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of Giganology Shenzhen and Xunlei Computer to pay dividends to us could have a material adverse effect on our ability to conduct our business." In addition, our investment made as registered capital and additional paid in capital of our subsidiaries, VIE and VIE's subsidiaries are also subject to restrictions in their distribution and transfer according to the laws and regulations in China. Owing to the above, our subsidiaries, VIE and VIE's subsidiaries in China are restricted in their ability to transfer their net assets to us in terms of cash dividends, loans or advances. As of December 31, 2017, the amount of the restricted net assets, which represents registered capital and additional paid-in capital cumulative appropriations made to statutory reserves, was US$142.5 million.

Corporate governance and nominating committee

Our corporate governance and nominating committee consists of Ms. Jenny Wenjie Wu, Mr. Ya Li and Mr. Feng Hong, and is chaired by Mr. Feng Hong. Our board of directors has determined that each of Ms. Jenny Wenjie Wu and Mr. Ya Li satisfies the "independence" requirements of Rule 5605(a)(2) of the NASDAQ Listing Rules. The corporate governance and nominating committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the corporate governance and nominating committee itself;
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended from time to time. Our company may have the right to seek damages if a duty owed by our directors is breached.

Terms of Directors and Executive Officers

Our directors may be elected by an ordinary resolution of our shareholders, or by the affirmative vote of a simple majority of our directors (which should include one non-independent director) present and voting at a meeting of our board of directors, and shall hold office until the expiration of his term and until his successor has been elected and qualified, or until such time as they are removed from office by ordinary resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically (1) if a simple majority of all directors determine at a duly called and constituted board meeting that such director has been guilty of actual fraud or willful neglect in performing his duties as a director, or (2) if a director is notified of, and fails to attend, an aggregate of three duly called and constituted board meetings within any 365-day period. In addition, the office of a director will be vacated if such director (a) dies, becomes bankrupt or makes any arrangement or composition with his creditors, (b) is found to be or becomes of unsound mind, or (c) resigns his office by notice in writing to us.

D. Employees

As of December 31, 2017, we had 1,125 employees, including 95 in general administration, 870 in research and development and 160 in sales and marketing. We group our employees into three categories—research and development, sales and marketing and general administration. As required by PRC regulations, we participate in employee benefit plans organized by government authorities, including pensions, work-related injury benefits, medical benefits, maternity benefits, unemployment benefit and housing fund plans. We have granted stock options and restricted shares to management and key employees in order to reward their services and provide them with equity incentives. We maintain good employee relations and have not experienced any material labor disputes since our inception.